

Promoting Work after Welfare Reform

Isabel V. Sawhill

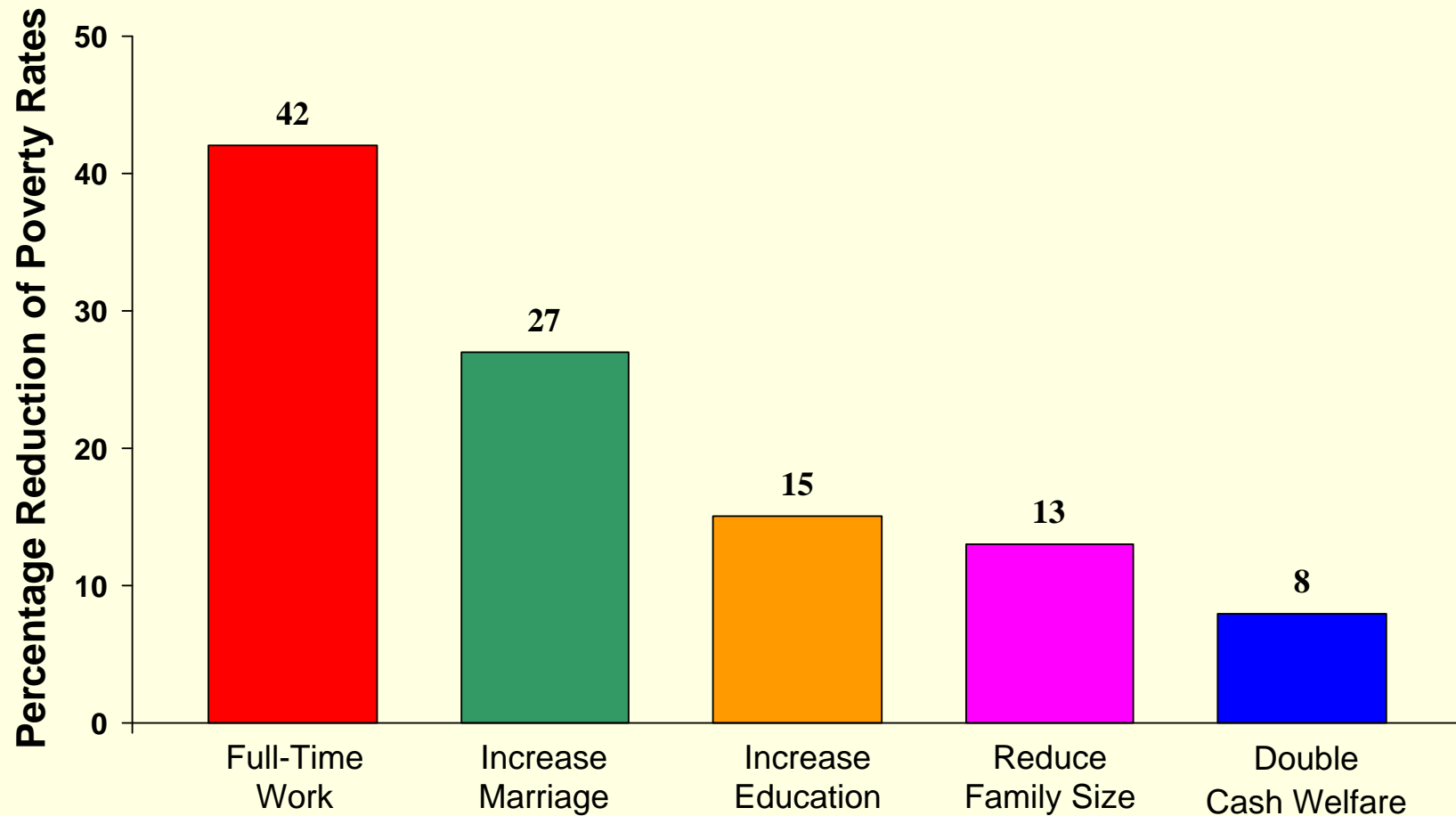
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Key Differences Between Poor and Nonpoor Families

Characteristic	Poor	Nonpoor
Family Income	\$9,465	\$75,288
Hours Worked in 2001	1,017	2,151
Married (percent)	39.5	81.0
Education	High school dropout	Some college
Number of Children	2.13	1.78

Source: U.S. Census Bureau

Effectiveness of Five Factors in Reducing Poverty Rates



Based on Thomas and Sawhill, 2002; and Haskins and Sawhill, 2003.

Policy Proposals

- Raise the minimum wage and index it for inflation
- Add a second tier to the EITC and integrate with the child tax credit
- Improve application process for food stamps and other noncash benefits
- Increase funding for child care
- Encourage states to provide community service jobs

Raise the Minimum Wage and Index it for Inflation

■ Pros

- A \$1.00 increase would remove roughly one million people from poverty
- Indexation would protect low-wage workers' standard of living and ensure that Congress doesn't have to continually adjust the minimum
- Benefits would ripple up the wage scale, producing additional benefits for low-wage workers

Raise the Minimum Wage and Index it for Inflation

■ Cons

- Businesses might hire fewer low-wage workers, especially youth
- Costs would be a burden to the private sector, especially as it struggles to recover from recession
- Most people who receive the minimum wage are not poor

Add a Second Tier to EITC and Integrate with Child Tax Credit

■ Pros

- Encourages work, especially full-time work, and improves living standards
- Simplifies the tax system
- Better targets existing tax credits on low- and moderate-income families
- Helps mothers stay off welfare

Add a Second Tier to EITC and Integrate with Child Tax Credit

■ Cons

- Depending on generosity of second tier, and phase out rates, could be expensive
- Uses the tax system to achieve social objectives (a back-door spending program)
- Does not help those unable to earn \$10,000 a year
- Does not get funds to people on a weekly or monthly basis (tax payments are usually annual)

Improve Application Process for Food Stamps and Other Noncash Benefits

■ Pros

- Addresses the problem that low participation rates are caused in part by difficulty of applying for benefits
- Rewards working families for responsible behavior
- Increases the well-being of working families

Improve Application Process for Food Stamps and Other Noncash Benefits

■ Cons

- Political and bureaucratic hurdles
- Increased error rates
- Increased costs

Increase Funding for Child Care

■ Pros

- Allows states to serve more low-income families, increase provider reimbursement rates, or lower co-payments by families
- Promotes equity between welfare leavers and other low-income families
- Allows states to make additional investments in quality child care

Increase Funding for Child Care

■ Cons

- Possible substitution of paid for unpaid care
- Federal government is already spending a lot
- Does not sufficiently reward other reasons for reducing dependency (e.g., marriage)
- Expensive

Encourage States to Provide Community Service Jobs

■ Pros

- Helps the hardest to employ and those unemployed in a slack economy
- Makes a work requirement more reasonable
- Identifies those already working or unwilling to work

Encourage States to Provide Community Service Jobs

■ Cons

- Hard to administer
- Could displace low-paid workers who are already employed
- Expensive